CWSRF 101

An Introduction to EPA’s Clean Water State Revolving Fund

March 2015
Clean Water Act amendments of 1987 authorized EPA to make grants to states to capitalize state revolving funds.

The CWSRF program fundamentally changed the federal government’s approach to providing assistance:
- Change from federal construction grants to loans and other assistance
- Change from federal program to state managed program

The CWSRF program was amended in 2014 by the Water Resources Reform and Development Act.
How is the CWSRF Structured?

- Federally and state funded (20% state match)
- State implemented and operated
- Flexibility in assistance provided
  - Type of assistance: e.g., loans, refinancing, guarantees
  - Loan terms: i.e., interest rate, repayment period, projects funded

Pie chart showing:
- Federal funds 83%
- State funds 17%
# CWSRF Flow of Federal Funds

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5 and Beyond</th>
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</thead>
<tbody>
<tr>
<td>Appropriation/Allotment</td>
<td>$$</td>
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<tr>
<td>Capitalization Grant Award</td>
<td>Award in year of appropriation or following year</td>
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<tr>
<td>Payments</td>
<td>Earlier of 8 quarters of grant award or 12 quarters of allotment</td>
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<tr>
<td>Binding Commitments/Assistance Agreements</td>
<td>Entered into within 1 year of payment; 120% of grant payment</td>
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<tr>
<td>Cash Draws</td>
<td>As CWSRF project costs are incurred</td>
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CWSRFs: Infrastructure Banks
51 state-level infrastructure “banks” that make loans for water quality projects

Federal capitalization provides initial funding

States match federal capitalization grant (20 percent of capitalization)

Bond holders provide additional funding

Clean Water State Revolving Fund

Low interest loans

Loan repayments

Eligible CWSRF Projects
The revolving nature of the CWSRFs mean that funds will be available for the foreseeable future.
Leveraging by the CWSRF

- The Clean Water Act allows CWSRF assets to be used for security and repayment of municipal bonds issues, expanding the amount of funding available for projects.
- The CWSRFs have the flexibility to tailor their leveraging approach to meet their specific needs.
- Currently 28 states have leveraged their programs, making an additional $34.6 billion available for projects.
CWSRF Assistance Options

- At or below market interest rate loans that may not exceed 30 years or the useful life of the project
- Buy or refinance local debt
- Guarantee or purchase of insurance for local debt obligations
- Guarantee SRF debt obligations (Leveraging)
- Guarantee loans of “sub-state revolving funds”
- Pay SRF administrative expenses
- Earn interest
- Additional subsidization
What Projects are Eligible for CWSRF Assistance?

- There are eleven project types eligible to receive CWSRF assistance
  - Constructing Publicly Owned Treatment Works (POTW)
  - Nonpoint Source
  - National Estuary Program Projects
  - Decentralized Systems
  - Stormwater
  - Reducing the Demand for POTW Capacity through Water Conservation, Efficiency, and Reuse
  - Watershed Pilot Projects
  - Energy Efficiency
  - Reusing or Recycling Wastewater, Stormwater, or Subsurface Drainage Water
  - Security Measures at POTWs
  - Technical Assistance
Green project reserve was first introduced in ARRA but has been also carried over to subsequent fiscal years.

For FY 2015, to the extent that sufficient eligible projects are available no less than 10% of a state’s capitalization grant must be used for projects meeting green project criteria.

4 basic categories for green projects:
- Water efficiency improvements
- Energy efficiency improvements
- Green infrastructure
- Environmentally innovative activities
Additional Subsidization

- Like the green project reserve, additional subsidization was introduced in ARRA and continued in subsequent appropriations
  - Additional subsidization can be provided in the form of principal forgiveness, negative interest loans, or grants
- WRRDA provides the CWSRFs with permanent authority to provide a portion of its capitalization grant as additional subsidization
  - The allowable portion ranges between 0 to 30%, depending on the degree in which the annual CWSRF appropriation exceeds $1 billion
  - The recipient must be a municipality or intermunicipal, interstate, or state agency
  - Can only be used to help address affordability issues or to implement a project that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction
Overview of CWSRF Financial Results

- Through 2014, the CWSRFs have provided 34,902 assistance agreements to communities, financing $105.4 billion in projects
  - In 2014, the CWSRFs executed 1,525 assistance agreements that provided $5.4 billion in funding

- Cumulatively, 23,260 assistance agreements have provided over $24.3 Billion in funding for projects serving a population less than 10,000
  - Nearly $12.1 Billion (18,464 assistance agreements) have gone to projects serving a population of less than 3,500

- State contributions, leveraging and the revolving nature of the CWSRFs have multiplied the federal contributions
  - The CWSRFs have committed approximately $2.8 dollars to projects for every federal dollar received through federal capitalization grant awards
CWSRF Cumulative Assistance Exceeds $105 Billion

34,902 Cumulative Assistance Agreements
CWSRFs Fund Many Types of Projects

Total: $105.4 Billion
NPS & Estuary: $4.3 Billion

POTW
$101.1 Billion

- Recycled Water ($0.8 Billion)
- Secondary Treatment ($37.5 Billion)
- Advanced Treatment ($20.1 Billion)
- New Sewers ($16.7 Billion)
- Sanitary Sewer Overflow (SSO) Correction ($14.3 Billion)
- Combined Sewer Overflow (CSO) Correction ($10.8 Billion)
- Stormwater ($0.9 Billion)
- Estuary
- Nonpoint & Estuary

96% Publicly-Owned Treatment Works
19% Secondary Treatment
16% Advanced Treatment
14% New Sewers
10% Sanitary Sewer Overflow (SSO) Correction
< 1% Combined Sewer Overflow (CSO) Correction
< 1% Stormwater
4% Nonpoint & Estuary
< 1% Recycled Water
96% Publicly-Owned Treatment Works